

# Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 30 April 2024

Assets are held in the Nikko AM Wholesale ARK Disruptive Innovation Fund. The Nikko AM ARK Disruptive Innovation Fund (retail) and Nikko AM KiwiSaver ARK Disruptive Innovation Fund invest in units in the wholesale fund, which the commentary refers to.

## Market Overview

- Broad-based global equity indexes depreciated during the month as the number of U.S. Federal Reserve (Fed) rate cuts expected in 2024 dropped.
- Relative to the MSCI World Index, the Utilities and Energy sectors outperformed on balance in April, while the Real Estate and Technology sectors lagged.

## Fund Highlights

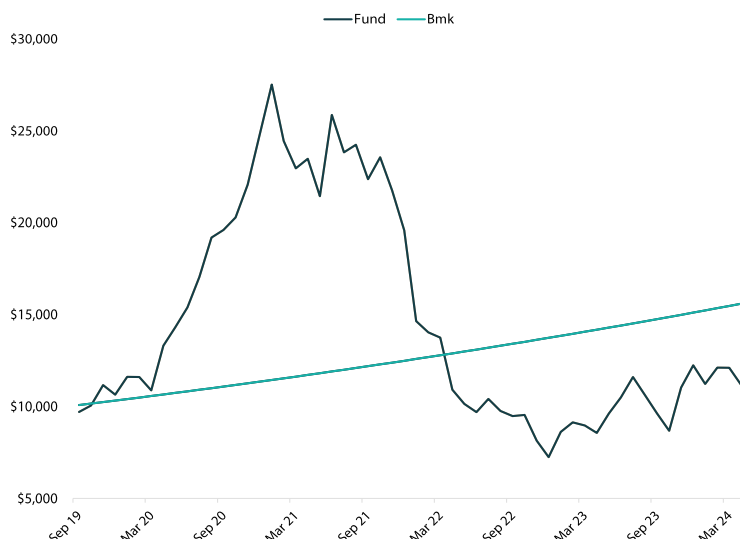
- The strategy returned -10.04% for the month, trailing the benchmark return of 0.80%.
- Key contributors for the month include Tesla (TSLA), Spotify Technology (SPOT) and Teradyne (TER).
- Key detractors for the month include Coinbase Global (COIN), Block (SQ) and CRISPR Therapeutics (CRSP).

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
<b>Wholesale<sup>1</sup></b>	-10.04%	1.00%	29.75%	-21.51%	
<b>Benchmark<sup>2</sup></b>	0.80%	2.41%	10.00%	10.00%	
<b>Retail<sup>3</sup></b>	-7.86%	-0.66%	30.22%	-21.97%	
<b>KiwiSaver<sup>3</sup></b>	-7.94%	-0.69%	30.44%	-22.05%	
<b>NASDAQ<sup>4</sup></b>	-3.24%	5.97%	38.72%	15.81%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any).
2. Absolute return of 10% per annum. No fees, expenses or taxes.
3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.
4. NASDAQ-100 Notional Net Total Return Index Unhedged in NZD.

## Since Inception Cumulative Performance, \$10,000 Invested<sup>3,2</sup>



## Investment Manager

The fund invests in the Nikko AM ARK Disruptive Innovation Fund managed by Nikko AM Americas. ARK Investment Management LLC is the Investment Adviser to Nikko AM Americas. Cathie Wood is ARK's founder and portfolio manager and is a highly experienced thematic investor. ARK's transparent research approach is highly differentiated, seeking to capitalise on insights across multiple mediums.



## Overview

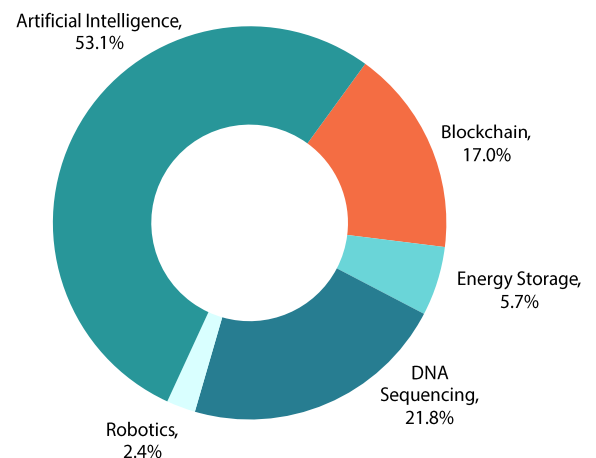
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

## Objective

The fund aims to achieve an absolute return of 10% per annum over a rolling five year period before fees, expenses and taxes.

## Asset Allocation by Innovation Platform\*

\*Weights based on Manager's model portfolio, which may vary from the actual portfolio and does not factor in cash positions.



## Portfolio Composition (Underlying Fund\*)

	(%)		(%)
Digital Media	14.4	Beyond DNA	3.6
Cloud Computing	11.3	Energy Storage	3.5
Big Data & Machine Learning	9.7	Targeted Therapeutics	2.6
Blockchain & P2P	8.6	Next Generation Oncology	2.5
E-Commerce	8.4	Molecular Diagnostics	2.1
Mobile	6.6	Robotics	2.0
Internet of Things	5.6	Bioinformatics	1.6
Gene Therapy	5.2	Autonomous Vehicles	1.2
Instrumentation	5.0	Development of Infrastructure	1.1
Social Platforms	4.7	3D Printing	0.3

## Top 10 Holdings (Underlying Fund\*)

	(%)	
Tesla Motors	9.06	United States
Coinbase Global	6.81	United States
Block	6.40	United States
Roku	6.29	United States
Zoom Video Communications	4.28	United States
Roblox	4.23	United States
Palantir Technologies	3.82	United States
Robinhood Markets	3.81	United States
Draftkings	3.44	United States
Unity Software	3.37	United States

## Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes depreciated during the month as the number of U.S. Federal Reserve (Fed) rate cuts expected in 2024 dropped. Importantly, the Fed began to communicate that employment gains would not derail the decline in interest rates and that inflation is the much more important policy gauge. While the consensus forecast is for a soft landing, ARK still expects that a loss of pricing power will force corporations into employment cutbacks and a harder-than-expected landing. Indeed, the US economy seems to have been in a rolling recession, depressing sectors like housing, autos, and commercial real estate while inventories continue to build.

Relative to the MSCI World Index, the Utilities and Energy sectors outperformed on balance in April, while the Real Estate and Technology sectors lagged. Some of the largest beneficiaries of the rotation to cyclicals—Energy and Financial Services—could be disrupted significantly during the next five years. In our view, autonomous electric vehicles and digital wallets—including blockchain technologies, cryptocurrencies, and decentralized financial services (DeFi)—will disrupt and disintermediate both Energy and Financial Services.

## Fund Commentary

**Key contributors** for the month include Tesla (TSLA), Spotify Technology (SPOT) and Teradyne (TER).

Tesla was a contributor to the fund finishing the month higher post earnings. Concerns loomed over a slowdown in EV demand. On its earnings call, Elon Musk announced that the company announced layoffs that affected more than 10% of its global workforce, including senior executives and the Supercharger team. Tesla received tentative approval for its driving system in China and maintained the industry's lowest 10-year cost of maintenance and repair. Spotify was a contributor to the fund this month. The company reported strong first quarter earnings, with total revenue growing around 20% year-over-year on a constant currency basis. Gross profit also surprised on the upside, with gross margin expanding to 27.6%. Teradyne was a contributor to the fund this month as it reported earnings that beat on both the top and bottom line and it increased guidance for the second quarter. Despite continued weakness in the smartphone market, greater than expected memory and networking demand driven by artificial intelligence applications drove company revenue and earnings above the high end of management's guidance in the quarter.

**Key detractors** for the month include Coinbase Global (COIN), Block (SQ) and CRISPR Therapeutics (CRSP).

Coinbase and Robinhood detracted from the fund this month as Bitcoin and the broader cryptocurrency market shed their gains. Block was a detractor to the fund this month. A sell side firm issued a downgrade on the stock to underweight early in the month. The FDIC also issued a consent order against fintech sponsor bank Sutton Bank, which issues prepaid debit cards for Block's Cash App, potentially increasing regulatory scrutiny on the banks' customers. CRISPR Therapeutics was a detractor to the fund this month, despite the Centers for Medicare & Medicaid Services (CMS) announcing plans to increase reimbursement for new sickle cell gene therapies, a move that could potentially benefit CRISPR Therapeutics since it developed and commercialized CASGEVY, the gene editing based therapy for sickle cell disease.

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Distribution:</b>	Generally does not distribute.	<b>Strategy Launch:</b>	September 2019
<b>Retail:</b>	1.30% refer to PDS for more details	<b>Investment Manager:</b>	*The fund invests in the Nikko AM ARK Disruptive Innovation Fund (the Underlying Fund), a sub-fund of the Nikko AM Global Umbrella Fund - an open-ended investment company established under Luxembourg law as a société d'investissement à capital variable (SICAV).	<b>Strategy size:</b>	\$58.9m
<b>KiwiSaver:</b>	1.25%, refer to PDS for more details.				
<b>Hedging:</b>	Any foreign currency exposure is unhedged.				

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